Exhibit C

DOW JONES

HD **Q2 2011 Best Buy Co., Inc. Earnings Conference Call - Final**

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OPERATOR: Ladies and gentlemen, thank you for standing by. Welcome to Best Buy's conference call for the second quarter of fiscal 2011. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. (Operator Instructions). As a reminder, this call is being recorded for playback, and will be available by 12 PM Easter Time today.

I would now like to turn the conference call over to Bill Seymour, Vice President of Investor Relations. Please go ahead, sir.

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BILL SEYMOUR, IR, BEST BUY CO., INC.: Thank you, Brandy. Good morning, everyone, and thank you for participating in our fiscal 2011 second quarter earnings conference call. We have two speakers for you today. First, Brian Dunn, our CEO, will share his thoughts on the second quarter, and the rest of the year. Second, Jim Muehlbauer, our CFO, will recap the financial performance, and then provide you with our perspective as to how the balance of the year will play out. And after our prepared remarks, I anticipate we will have ample time for your questions.

Before I pass the call over to Brian, I'd like to take care of a few housekeeping items. First, we would like to request that callers limit themselves to a single question during the Q&A portion of the call, so we can get to as many questions as possible during the next hour.

Second, I'd like to remind you that comments made by me, or by others representing Best Buy, may contain forward-looking statements, which are subject to risks and uncertainties. Our SEC filings contain additional information about factors that could cause actual results to differ from management's expectations. Third, as usual, the media are participating in this call in a listen-only mode.

And lastly, I'd like to remind you that our fiscal 2010 first quarter results last year included restructuring charges which impacted our net earnings by $25 million, or $0.06 per diluted share. Any year-to-date comparisons versus last year made during the balance of our discussion on this morning's call will exclude these charges. That means the comparisons we make will be on an adjusted non-GAAP basis. For a comprehensive GAAP to non-GAAP reconciliation of our reported to adjusted results, please refer to the supplemental schedule on page 11 of this morning's news release.

With that, I'd like to turn the call over to Brian Dunn.

BRIAN DUNN, CEO, BEST BUY CO., INC.: Good morning, everyone, and thanks for joining us on our second quarter earnings conference call. We're halfway through the year, and I'm pleased with our performance, and I want to thank the men and women of Best Buy for their tremendous efforts in navigating a challenging environment, and still delivering good results.

We've talked for a while about our Connected World strategy, and the central role it plays in our efforts to build shareholder value by driving profitable growth. Best Buy Mobile is the tip of that spear, the single biggest driver of profit growth for us this year, and the key to raising our margin guidance for the year. Best Buy Mobile is not

the only plank in our Connected World platform, and I'll talk a bit about the other ways we're beginning to bring the Connected World to our customers across all our categories.

But first, a few highlights from the second quarter. Despite weaker industry sales than we expected, EPS grew 62% in the quarter. We had gross margins of 25.7%, up 130 basis points, driven in particular by the continued momentum of Best Buy Mobile. During the quarter, we bought back $600 million of stock, which brought our first half of the year repurchase total to more than $700 million. We continue to see buybacks and dividends as a good way to improve returns for shareholders, and intend to utilize this lever in the coming quarters as we go profitably.

Now let's drill down into our US business for a minute. We estimate that our overall market share was down slightly in the second quarter. And the biggest drivers of it were lower share in mobile computing, entertainment software, and moderating market share gains in home theater, due to last year's digital conversion. We believe, however, that we'll see overall share gains in the second half of the year.

Last quarter, I talked about consumer spending being episodic, and the fact that customers are operating on cues from the broader environment. This still holds true. Many customers are being highly selective about when they spend their money. We believe, however, that this will change in our favor over the back half of the year. Customers traditionally rotate their spending to our categories during the holiday shopping season, and a strong line-up of products coming across the board reinforces our confidence.

TV comps were down in the quarter. We had a difficult compare versus last year, and the overall industry was down. Despite the overall weakness in TVs, Magnolia, which serves the premium customer segment, had a great quarter, showing there's a healthy demand for a premium home theater experience, an encouraging sign, and a good leading indicator considering the innovations in home theater we see coming in the quarters ahead.

Computing had a positive overall comp for the quarter. Tablets, in particular, were very strong for us. And Best Buy Mobile continued its success, again posting the highest comp among all of our product categories. We're excited about what we're seeing here, because it confirms that Best Buy Mobile is a powerful value proposition for the customer, combining world class, impartial service, and unparalleled choice in carriers, plans, and the best brands of SmartPhones. To top it off, our walk-out working promise puts it all together for customers, and makes sure that their SmartPhone is ready to go when they leave the store.

During the quarter, we announced the opening of our 100th Best Buy Mobile stand-alone store, which is in addition to the almost 1,100 Best Buy stores which feature Best Buy Mobile stores within the store. Despite Best Buy Mobile having a low market share, it's been a big driver for our comps, and with margins and attach rates for connections, black tie service and accessories significantly higher than the Company average, it was the biggest single driver of our ongoing gross margin improvement this year.

We believe that Best Buy Mobile has a long runway ahead, and will continue to contribute positively to our earnings. We only have about a 5% market share, a number we see growing much bigger. And most importantly, we're learning a lot from our mobile business, and extending the things we learn to other categories, as we continue to transform our business to thrive in the Connected World.

Our Company's online business grew 16% in revenue this quarter, and our market share was up on a year-over-year basis. Our dot-com business was a great complement to our stores. We know that 60% of our US store sales are influenced by our customers' experience on bestbuy.com, and 40% of the products we sell online are picked up in-store. And our multi-channel approach will serve us well into the holiday season.

One last point I want to make about our second quarter US business. As we've said consistently and repeatedly, we know that our people are Best Buy's true competitive advantage, and their ability to delight our customers is our single most important asset. They continue to do that, and it's reflected in our retail customer satisfaction score, which rose to an all-time high of more than 84%. Not coincidentally, our employee retention rate is also excellent, and sits today at over 70%.

I'll shift gears now, and take a look at our businesses around the world. I'm pleased with our progress in our international business, which was ahead of plan for the year. Europe had a strong 4% comp in Q2, and Five Star in China had another good quarter with comps exceeding 20%. Gross margin and operating margins were up year-over-year in our international business.

There's two ways to look at our international businesses, established and emerging ventures. First, the established businesses. Future Shop, Best Buy Canada, Carphone Warehouse, which as you know is part of our European business, and Five Star in China. And second, our emerging international big box ventures, Best

Buy China, Best Buy Europe, Best Buy Mexico and Best Buy Turkey. Our established international businesses are all profitable, while our international ventures are currently in the investment and development stage.

As I've said before, our international businesses, especially the ventures, must all earn their right to capital. We will grow these businesses only if we see evidence of a proven operating model that can achieve the appropriate returns.

Now a look forward to the balance of this year. We're continually evolving our stores to better showcase connected digital solutions, and this summer we took a step forward in the US to help our blue shirts and Geek Squad agents bring the Connected World to life for our customers. We see broadband speed as a significant obstacle, maybe the biggest obstacle to getting the benefits of the Connected World. Our customers are telling us that they want to be connected wherever they are, but they're confused by all the options out there, and how to make them work together. This plays well to our strengths, because we can offer customers a one-stop shop for their connectivity needs, offering them unbiased advice in a low pressure environment.

In the mobile computing section, we're doing a better job of showing our customers the choices of high speed connections, specifically 3G and 4G connections on notebooks and netbooks. Like in Best Buy Mobile, we get paid for activating 3G or 4G broadband connections. It's early, but we've had excellent growth in wireless broadband connections on notebooks and netbooks.

We're also able to offer upgrades for home broadband for those who need more bandwidth for things like browsing or streaming video-on-demand movies. Our partners here are the cable companies, and companies like Clearwire. We earn a bounty for signing up or upgrading customers, and we see rapidly growing subscriber sign-ups, albeit from a small base.

Another big opportunity for us is helping customers understand the cable and satellite offerings that are available. It's a natural part of the conversation our employees have with customers, as they discuss what customers want to do with their new TVs. What's new here is we are trying to do a better job of equipping the blue shirts to have this conversation with customers, and helping the customer get what they want.

Here's a classic example. We know that 50% of people who buy an HDTV do not have HD or HD source at home. If the customer does not have HD, in many cases we can get that upgrade done for them in the store. In fact, we now have representatives from carriers like Comcast, Time Warner and DirecTV in 80% of our stores who can make that transaction happen on the spot. When we sign up a customer for a new subscription or an upgrade, we get compensated, and we've seen very good growth in these sign-ups recently. It's way too early to declare victory, but these examples show that with a tighter value proposition, we can increase our connection attach rates, especially in categories traditionally not thought of as being connectable, like home theater.

We'll have another store reset before the holidays, which will include an increase in the space for higher growth in the aggregate higher margin categories, like Best Buy Mobile, E-readers and gaming, with a heavy emphasis on new gaming platforms, and preowned game titles. This will be enabled by a reorganization of the DVD and CD sections. The CD section in particular will shrink in space allotment.

There's a lot to be excited about this holiday, as just a quick rundown of what's coming shows. We see tremendous opportunity for Best Buy Mobile, with continued sales of the iPhone, new RIM devices, and new Android and Windows-based SmartPhones. We plan to be the biggest retailer of the new motion-based gaming platforms, Microsoft Connect and Playstation Move. We expect 3D gaming will be a big driver for gaming sales, and in turn will stimulate 3D TV sales.

In TVs, we'll see continued LED growth, and growing momentum in 3D, IPTV, and Google TV. We're the only retailer with a complete offering of E-readers. The Nook, the Sony Reader, and now, the Kindle. And finally, we're expecting the iPad and other tablets to be big for us during the holidays.

That short overview of new technology brings me to my last point. I believe we're living and working through a time that will be remembered as one of the pivotal transformational inflection points in the business of developing and offering technology that serves people. It's difficult to see it when you're immersed in it, but I think our collective migration to what we here at Best Buy call the Connected World, is on par with the move from analog to digital, roughly 15 years ago. Then, like now, there were winners and losers because the change was so complete, and so rapid.

Best Buy's strategy then was to stay very close to the customer, to be the place where new technology is demystified, made tangible and made accessible, the place where customers can touch and try and learn

what's possible. And that's the role we play today, too. And I believe it sets us up to win, this holiday and for years to come.

With that, I'll turn it over to Jim for some additional color around our second quarter results, and the financial outlook. Jim?

JIM MUEHLBAUER, CFO, BEST BUY CO., INC.: Thanks, Brian. And good morning, everyone. This morning I'm pleased to provide you with an overview of our second quarter and year-to-date financial results, and key highlights from the first half of the year. Second, I'll update you on how we are currently thinking about the second half of the year, and how that affects our guidance for the full year.

As the second quarter played out, several key themes emerged. First, we continued to experience a challenging environment for consumer spending, which resulted in softer overall CE industry growth, that put pressure on our top line revenue. Second, our gross profit performance accelerated, as we continued to see improvements in both the rates and sales mix of connected products. Third, results from our international business improved significantly, especially in Best Buy Europe and Five Star.

Fourth, we significantly slowed our SG&A dollar growth, as we indicated in our first quarter call. And finally, we utilized our strong cash flow generation capability to accelerate the pace of our share repurchase activity during the quarter, to improve returns for shareholders. With those as headlines, let's walk through the detail on several of the key drivers of our performance in the quarter.

Overall, revenue grew 3% to $11.3 billion on comparable store sales that were essentially flat versus last year. This revenue performance included domestic comparable store sales declines of 1.4%. This decline was driven primarily by softness in customer traffic patterns that resulted in lower sales across categories such as home theater, entertainment hardware, and software. The notable exceptions to these declines were in mobile computing, and in Best Buy Mobile. International comparable store sales growth of 4% was in line with our expectations, and was led by strong performance in our Best Buy Europe and Five Star businesses.

The big headline for the quarter was the significant improvement in gross profit rate. Gross profit dollars grew 9%, surpassing our sales dollars growth once again this quarter. The gross profit rate of 25.7% reflected 130 basis point year-over-year improvement, with rate expansion occurring in both our domestic and international segments.

Looking at the domestic business, the gross profit rate of 25.8% was 150 basis point improvement year-over-year. This performance was modestly better than we had expected, and was driven by 120 basis point increase in rate, and a 30 basis point increase due to mix. On the whole, the 30 basis point mix increase reflects continued strength in Best Buy Mobile.

The 120 basis point rate improvement in the quarter can be attributed to a few main drivers. Some of it will be ongoing, and a lesser amount that were more event-driven or timing in nature. First, we saw rate improvement in Best Buy Mobile during the quarter, as consumers continue to respond positively to our employee non-biased expertise, and broad handset and carrier offerings, which translated into increased sales of SmartPhones and related higher margin attachment of accessory items.

Second, we continued to improve our promotional effectiveness, and lowered promotional spending in several categories, like home theater and appliances. Improvements were driven by the continued evolution of our loyalty programs, and lower financing costs. Finally, similar to the first quarter, gross margin rates improved slightly as a larger portion of our vendor programs were orientated toward purchase incentives instead of advertising support, which is recorded as a reduction in SG&A.

Within the international segment, the gross profit rate of 25.6% reflects 110 basis points of growth year-over-year, and was primarily driven by rate strength in Canada, due to promotional effectiveness in several key back-to-school programs, and strong store execution, as well as a higher mix of post-pay SmartPhone sales in Best Buy Europe.

Turning to SG&A, for the second quarter, expenses grew by 4% to $2.5 billion, which as expected, was a significant quarter-over-quarter improvement. The reduction was driven by the phasing of initiatives, as well as focused reductions in spending programs. On a rate basis, SG&A totaled 22.1% of revenue, a 30 basis point increase versus last year. The resulting deleverage was in line with what we would expect, given the lower revenue in the quarter.

So when you bring it all together, the net result in the second quarter is operating income of $411 million, or a 47% increase versus last year. The domestic operating income increased $92 million, or 29%, while the international segment's operating income increased $39 million year-over-year. All in all, we are pleased that both our domestic and international segments improved operating income margins in excess of 100 basis points in the quarter.

Just a couple of more points to round off the quarter. From an inventory perspective, we finished the quarter with domestic inventory levels up approximately 6% on a comparable store basis. This increase was slightly higher than what we had anticipated, and was driven by revenue softness we saw in categories such as televisions, and the lapping of artificially lower inventory levels last year in mobile computing, as we prepared for the launch of Windows 7. For context, our comparable store inventories at the end of the second quarter last year were down 9%. Looking ahead to the second half of the year, we are satisfied with the overall quality of this inventory, and the expected availability of product going into the holiday season.

Also, as Brian mentioned up front, during the quarter we bought back approximately $600 million of stock, which brought our first half repurchases total to more than $700 million, or roughly 20 million shares. Let me remind you that we have nearly $1.7 billion remaining under our current $5.5 billion share repurchase authorization. Given the confidence we have in our people, along with the profitable growth opportunities both today and in the future of our business, we think this is a great investment for our shareholders.

So looking at the results for the first half of fiscal 2011, while there are many moving pieces that we manage, like always, we are pleased that our earnings are essentially in line with our original expectations for the year, as strong gross profit rates and cost control plans work to offset softer top line growth, particularly in the domestic business. Year-to-date, we have delivered an operating income rate of 3.3%, which is a 30 basis point increase versus last year's adjusted results. This translates into year-to-date earnings per share of $0.96, which is a 20% increase versus last year. We believe the first half performance has us well positioned to deliver on our full year financial guidance.

Turning now to our full year outlook, we believe there is much to like about what's in store for the second half of the year. While we anticipate that the consumer will continue to experience pressure, we also expect that they will once again allocate a larger portion of their seasonal spending to CE products in the holidays. The industry is set with new product launches in categories such as gaming, tablet computing, along with continued excitement in mobile phones, and improved access to inventory in what we think will be hot gifting items this holiday season.

Additionally, as Brian mentioned, we expected to see consumer traffic that is episodic in nature, and we believe that Best Buy is well-positioned to capitalize on the largest episode of the year, the upcoming holiday period. As a result, and consistent with our past practice, we are adjusting some of the component parts of our full year guidance this morning in order to provide you our current thinking on how the balance of the year may play out.

First, looking at revenue, given the softness experienced year-to-date, we have lowered our revenue expectations to approximately $52 billion. As a result, we now anticipate comp store sales growth of 1% to 2% for the full year, which translates to a comparable store sales estimate of up 1% to 3% for the back half of the fiscal year.

Looking at gross profit, after two quarters we are pleased that we are off to a very solid start on this front. We believe that many of the investments we have made to date in driving connections growth, such as in Best Buy Mobile, will continue to build momentum into the second half of the year. As a result, we are still planning for gross profit expansion in both the third and fourth quarters, but we expect that it will be below the 100 basis point increase we have delivered year-to-date.

Turning to expenses, we anticipate that SG&A dollar growth will continue to moderate in the second half of the year, from the level experienced in the first half. As a result, based on our current expectations of annual sales, we anticipate that total SG&A dollar spend will come in at the low end of our previous expectations, and increase by approximately 6% for the year. This increase will be driven primarily by the operating of new stores, including the costs associated with our big box openings in markets such as the UK, variable expenses related to our projected sales growth, and project expenses related to our connectivity strategy, such as the home theater and mobile computing resets completed during the quarter. Let me also remind you that our full year SG&A increase will also be negatively impacted by the reclassification of certain vendor credits out of SG&A to gross margin, as a larger portion of the vendor dollars for the year will support purchase initiatives versus advertising initiatives.

Bringing these assumptions together, we now expect to deliver 40 to 55 basis points of operating income improvement versus last year. Embedded in this estimate is the projection that the domestic business will come in at the top end of that range. In total, these assumptions, along with the favorable impact of share repurchase activity completed in the first half, now lead us to an earnings per share guidance range for the year of $3.55 to $3.70, an increase of 13% to 18% versus last year, and $0.10 higher than our original range.

As you can see, we are essentially maintaining the operating expectations from our original guidance range, and just updating the impact of share repurchases made fiscal year-to-date. Overall, we are pleased that we are on track to deliver and exceed our annual EPS guidance.

So in closing, while we continue to see challenges to overall consumer spending, we are excited for what the back half of the year holds for the consumer electronics industry, and even more excited about the strength of Best Buy's value proposition, and customer acquisition capability during the important holiday season. We are pleased with the positive elements from the first half of fiscal 2011, including strong margin expansion and SG&A management, and improved returns for shareholders via share repurchases, and are confident that these positive levers can continue to provide benefits into the second half of fiscal 2011.

With that, Brandy, we are happy to take questions from the callers.

OPERATOR: Thank you, sir. We will now begin the question-and-answer session.

(Operator Instructions). Please limit yourself to one question.

And our first question comes from the line of David Strasser with Janney Montgomery Scott. Please go ahead.

DAVID STRASSER, ANALYST, JANNEY CAPITAL MARKETS: Thank you very much.

When you look at the various growth opportunities, and Brian you talked about there's super stores, there's mobile, there's the established and the emerging international businesses, and I guess the current super stores, any improvements there? How do you prioritize the CapEx going forward as it relates to returns? When you look at sort of the emerging businesses you talked about, it's still unclear whether it hit those hurdles. What type of action do you take in that scenario?

BRIAN DUNN: Thanks for the question, David.

There's a couple things. As we've talked about, we are managing our capital deployment very much in the portfolio fashion, and where we see operating models that we have confidence in, they are working, our intent is to grow them very quickly. Best Buy Mobile is a great example of that. Five Star in China is an example of a place where we are getting growing confidence in the operating model there, and we're going to allocate capital to grow that business.

And over time, what you will see us do, and really nothing new here, we will look at our operating models, and where we have operating models that we have high degrees of confidence in, we'll go very quickly and we won't go quickly until such time as we have that confidence. And the largest opportunity for us is unequivocally around connectivity in the US. And Best Buy Mobile is the tip of that spear, but we see that at mobile computing, we see that in home theater. So when you hear us talk about connectivity, we clearly see that as the largest growth opportunity for us.

JIM MUEHLBAUER: David, it's Jim.

Just to build on that a little bit. As you look at our capital allocations, as we said earlier, we're certainly anticipating that there will be square footage growth opportunities in the business as the model evolves. But we've also said that the level of square footage growth out the next five years, especially domestically, will be much different than we've seen in the past five to ten years. And the great news from an investment portfolio perspective is that as we make changes to our existing thousand plus US big box stores, those returns on investments are very high because we're capitalizing obviously on the strong traffic we have coming into those stores, so it's why we're able to roll out Best Buy Mobile within our store very successfully, a modest amount of capital investment driving strong returns. Some of the resets that we've talked about that will continue to build as we move forward, and I imagine we'll be spending more money within our existing stores over the next few years as well, as we continue to raise to that connectivity offering for our employees and our customers.

DAVID STRASSER: Thank you.

Just one follow-up. I guess sort of along the lines. But when you look at -- Brian, I think you had talked about vendor programs, and you're going more away from advertising support to purchase -- to better purchasing. Just a little bit of background in why to do that now. Is it because you feel you have the national advertising to leverage?

JIM MUEHLBAUER: David, it's Jim again.

I think what's taking place is that we've got a number of ways that we can work with our vendors to support growth in our business. And certainly what we're most interested in, along with our vendors, is growing both of our businesses profitably. So whether we take money in to drive advertising that is specific to a time period, or we take money in to really support the purchase price we have and then build that vendor's business over time, it's a trade-off that we kind of do category by category.

I would tell you the way we look at it, honestly, is it doesn't matter whether it shows up in gross margin or SG&A, it's money that we're using for development of our business in total to grow the top line and improve operating income. So, what we're just trying to call out is some of the geography changes year-over-year in how we collect the dollars. We could work different agreements next year and have it go the other way too, depending upon what's happening in the marketplace. The key focus is it's money to grow the top line for us and the vendor, and it's improving the operating income rate of our business.

DAVID STRASSER: Thank you very much. I appreciate it.

BRIAN DUNN: Thank you.

BILL SEYMOUR: Next question, please.

OPERATOR: Thank you.

Our next question comes from the line of Gregory Melich with ISI. Please go ahead.

GREGORY MELICH, ANALYST, ISI GROUP: Hello. Thanks, guys.

My one question really focuses on gross margin. Given the big increase, could you give us some more insight as to what's going on within that Best Buy Mobile and wireless, the fact that the rate within Best Buy Mobile being up so much, is there any change in the residual payment model or is it just the attachment rates on tablets and SmartPhones are that much better? Help us understand it a little bit better.

JIM MUEHLBAUER: Yes, Greg. Thanks for the question.

We're very excited to see the overall margin growth in Best Buy Mobile and connectivity. Not only as you called out that it's a bigger piece of our mix in total, but we're also seeing rate improvement within that business. The rate improvement is primarily being driven by a couple of things. It's not orientation of the carrier programs or changes in those models. What it really is is it's the value proposition offering that we have in SmartPhones versus competition, and customers' increasing interest in having a SmartPhone solution. So SmartPhone growth is something that customers are -- sorry, SmartPhone solutions are something customers are very interested in.

We built a value proposition and a business model with our blue shirts and having Geek Squad there, that we over-index in SmartPhones. So as we sell more of those, they come with a richer assortment of attachment of accessories, and we've done a much better job of offering our black tie protection in that space as well. So the combination of mix into more SmartPhones within Best Buy Mobile, higher attach of accessories in those spaces, and leaning into service offerings that resonate with the customer on black tie, we've kind of went to a monthly protection program versus an upfront buy. Customers have looked at all of those together and we're seeing improvements of the three of those really helping us drive the rate in Best Buy Mobile.

BRIAN DUNN: It's a really great example of us taking what we know our customers want to do, and working sort of customer back, and building value propositions or offerings around SmartPhones, that reflects the very real challenges our customers are facing. We know they want to be in a position to walk out of that store, our store, with their SmartPhone working. We know they do not want high pressure around a specific carrier. They want sort of unparalleled choice. And I think it's a really great example of us working customer, back, across the organization.

GREGORY MELICH: And If I could, a follow-up question, part of the same question.

The inventory, the domestic same store inventory up, was it 7%? What would that be if it wasn't for SmartPhones or Best Buy Mobile.

JIM MUEHLBAUER: You know, Greg, I don't know the answer to that specific question. I haven't run the math that way.

But I think the thing I would call out, similar to what we've seen in other quarters, looking at inventory levels at the end of Q2, given the holiday season in front us, not particularly instructive. I think as far as figuring out where the business is going to go, where the margin's going to go, we're going to be receiving so much inventory over the next several weeks, getting ready for the holiday season. What we have the opportunity to do certainly is look at those inventory levels, make sure we have it in the right place. And for what we have within our warehouses and stores now, we feel great about what's there, and it's going to serve us well during the holiday season.

So I would not expect this same level of inventory growth as we kind of progress through the levels over the year. But certainly when sales come in a little softer than we anticipate and, given the artificially low balances we had last year in the computing business, I mean, we are basically out of the notebooks business at the end of the second quarter last year, as we prepare to transition to Windows 7. The combination of the two of those is really what's driving it. I wouldn't attribute a large portion of it to SmartPhones.

GREGORY MELICH: Thanks a lot.

JIM MUEHLBAUER: Thanks, Greg.

BILL SEYMOUR: Next question, please.

OPERATOR: Thank you.

Our next question comes from the line of Colin McGranahan with Bernstein. Please go ahead.

COLIN MCGRANAHAN, ANALYST, SANFORD C. BERNSTEIN & CO.: Good morning. Thank you.

Just following up on the gross margin, can you talk about how the seasonality of the gross margin rate between, let's say the first half and the second half or the second quarter and the fourth quarter, might be shifting given how important the mobile business is and the holidays, relative to the rest of the year? It seems like it might be a more kind of consistent year-round business, versus some of the other more hot gift items being a bigger portion of the mix in the fourth quarter.

JIM MUEHLBAUER: Yes, Colin, I think it's a great question.

Certainly we've seen this within our business, CPW in Europe, around how customers respond throughout the year in that space. You're right, there's less specific promoting that happens in the mobile phone category to begin with. I think as SmartPhones become more prevalent part of the mix, there's actually the opportunity to put some more unique offers together around those SmartPhones.

I think the biggest thing for us, though, during the holiday season, where we do see that seasonality, is that our share in phones tends to peak during the holidays, because of the traffic we have coming into our stores just as our model attracts more customers during that window. So how it impacts kind of Best Buy's business overall is, that's a strong margin category. It's the period over the holidays where our traffic peaks, we're able to access the mobile phone customer at the same time. So we do actually see a little bit better margin dollar growth in mobile phones during that period.

COLIN MCGRANAHAN: Just so I'm clear on that, is the mobile mix in the fourth quarter then equivalent to what it would be in the second quarter or is it -- ?

JIM MUEHLBAUER: I wasn't commenting on mix. I was commenting on share of mobile specifically.

COLIN MCGRANAHAN: Share -- competitive share?

JIM MUEHLBAUER: Competitive share.

COLIN MCGRANAHAN: Right, which makes sense. But in terms of your own business, the mix is down in the fourth quarter?

MIKE VITELLI, EVP, BEST BUY CO., INC.: Colin, this is Mike Vitelli.

It's a great question, and it would be more down in the third quarter. Because when you get into the holiday period, third and fourth quarter, November, December categories like gaming, that is their sweet spot, where they do a tremendous percentage of their business. That's where the margin of a lower margin category like gaming can dilute the impact of mobile. So the gains that we have in the first half would slightly decelerate, but we'll still have gains in the second half.

That said, when we move into the second half of this year, we'll be able to be selling SmartPhones online for the first time, so we're going to have a greater opportunity to attract more customers, both in the store and online, than we did at any time last year. So, we're really excited about where mobile can go as part of the mix.

COLIN MCGRANAHAN: Okay.

And then just -- this is a follow-up on the same question. But thinking about, again, the mix and first half versus second half, can you comment at all on the economics of the iPad, and how that might play into the gross margin in the back half?

JIM MUEHLBAUER: Colin, we typically don't talk about the specific economics around a product.

I guess the key thing for us in the mobile computing space overall is when we have customer traffic that's excited about a new technology, especially a connected technology like an iPad, it really gives us a platform to talk about all the things that we can do, not only with iPad products but notebooks, netbooks, other tablet products and more increasingly choices customers have in the mobile computing space overall. So we're excited that the march of technology continues, that customers want another portable screen to go with them, and we think we have the best array of offerings of not only product but also advice to go along with that.

BRIAN DUNN: And Colin, congratulations on getting three questions in. Very impressive.

COLIN MCGRANAHAN: Thank you.

OPERATOR: Our next question comes from the line of Jack Murphy with William Blair. Please go ahead.

JACK MURPHY, ANALYST, WILLIAM BLAIR & COMPANY: Good morning.

I just wanted to follow up on the connectivity sales. Could you talk a little bit about the type of attachments you're getting outside of mobile phones, so we know the attachment is very high there, but when you look at different businesses like broadband, selling air cards and those kind of things, what kind of level of attachments we're talking about now and where you think those could maybe go over time.

BRIAN DUNN: This is Brian. We talked a little bit about that during the call, the script, but maybe Mike Vitelli could give a bit of color to flush that out a little bit.

MIKE VITELLI: Thanks, Brian.

It's something that's improving rapidly from a relatively small base in several departments in our stores and online. What we did in this most recent reset, the computing department and the home theater department, is call out the ability to have a home networking made simple offer where people can add broadband to their homes and upgrade broadband in their homes simply. Whether it's for gaming, for computing, for home theater. That was a significant opportunity for us to continue the advance in bringing broadband and higher speed broadband, as Brian mentioned in his opening remarks, into people's homes. Significantly, also in computing is mobile broadband.

So what's in Best Buy Mobile's results in addition to SmartPhones are, if you will, air cards and other mobile broadband [donegals] that are accessories to mobile computing. It's starting to grow significantly and that could increase even more rapidly as we get into the third and fourth quarter, as a larger percentage of our notebook and netbook computers have the ability to have radios in them to be activated on various carriers and indeed also on the Best Buy connect mobile broadband service as well.

So that's a rapidly increasing capability and ability that we have, and we're going to see mobile computing over the next several years become a mobile broadband technology based environment.

JACK MURPHY: Just as a follow-up, is there sort of a broad attachment rate that you could discuss as sort of a baseline, and where you think that could go?

MIKE VITELLI: Not specifically, but the opportunity we have been talking about is it's relatively low today. And that's partially because of what the rate plans are. They're high end rate plans for the most part, $60 a month for a high gigabyte plan. Those are expensive. The entire industry is moving towards various rate plans to let people be connected at all times. Those plans are going to be complex, they'll be very different. They good news is, we're going to have all of those plans from all of the carriers, including our own, and the ability to explain those and get people on the right plan for the right device that they're trying to use.

JIM MUEHLBAUER: And we have an enormous base of connectable units that we sell in computing to leverage those carrier offerings off of. So I think the biggest opportunity that sits there, Jack, is the attachment level is relatively low today, as Mike talked about, because of the price points, and the technology is moving to spaces where customers are going to have more choices. Given the number of connectable units we sell, and the bounties that come along with those carrier offerings, we see significant potential upside in what we can grow from a profitability perspective in that connectivity part of our portfolio.

JACK MURPHY: Okay. Thank you.

BILL SEYMOUR: Next question, please. Thanks.

OPERATOR: Our next question comes from the line of Michael Lasser with Barclays Capital. Please go ahead.

MICHAEL LASSER, ANALYST, BARCLAYS CAPITAL: Good morning, thanks a lot for taking my question.

On the television segment, how much of the margin economics of the category deteriorate if the adoption of some of the advanced featured televisions is pushed out, and prices come down at a faster rate than you had anticipated?

BILL SEYMOUR: Michael, can you repeat that again?

MICHAEL LASSER: Sure, no problem.

On the television segment, how much do margin economics change for the category if adoption for some of the advanced featured televisions is pushed out and prices have to come down at a faster rate than you had anticipated?

MIKE VITELLI: This is Mike Vitelli.

First off, let's talk about prices coming down. They haven't significantly yet. In fact, I think the fact that the cost per inch of LCD was relatively modest declines in the second quarter and for the first half, is partially what has kept that industry soft. So if average selling prices of the higher end LED and 3D TVs drop in the second half, it won't change the margin rate dynamics. It may change the absolute selling prices in dollars a bit, but it will add a lot more people into the marketplace, which we believe will be extremely positive overall for the industry and for us. So the margin rates of the technologies are maybe not as different as you may be anticipating.

MICHAEL LASSER: Okay.

And if I could sneak in a follow, could you provide some more detail on the lower promotional cost, how much of that is sustainable? Was there a conscious decision to trade sales for dollars, and you also mentioned financing costs benefited the margin as well, is that sustainable?

JIM MUEHLBAUER: Michael, it's Jim.

One of the things we've been doing is -- I would say this dates back now two or three quarters, is that we have been looking at the effectiveness of our various promotions that we run throughout the year, and utilizing the background information that we have on customers, primarily from our Reward Zone program, to be honest with you, to tell us how consumers respond to these offers, and what type of lift we get when we run different promotions. And what we've been consciously doing is repurposing investments that -- promotional decisions that haven't played out as well as we had hoped to other promotional activities.

As we look at the first half of the year, we saw the same thing happen in Q2 that we saw in Q1, in that we made some changes to our loyalty program last year to provide richer benefits to our better customers in the portfolio and reduce expense associated with folks who weren't that engaged with Best Buy. So that trickled through our business through the entire year. We'll start to lap that in Q4 of this year. It most predominantly shows up in our higher ticket categories like appliances, in home theater where customers are getting a lot of Reward Zone points for those purchases in their portfolio. So, it's turning the dial on things like that. It's utilizing the mix of

financing throughout the year. Certainly we have opportunities to toggle between 18, 24 and 36 months, and what we're trying to do is match that spending patterns based on how the consumer is actually activating in the marketplace and what they're interested in buying. And when we're too promotional during a period of time ,where the consumer's not as interested, that's not a very effective spend. So we've done a much better job over the last year or so of tuning, kind of fine-tuning that.

The last thing that I would call out is that, honestly, our teams buying inventory for us in our warehouses and on the store floors have done a much better job of managing the transitions of inventories in the portfolio. They've really focused on making sure that we get those things out the door at the right time and reduce the margin degradation that goes along with that. So it sounds like a lot of details, but that's the blocking and tackling that we do to kind of improve all the levers in our business. We have a lot of the upside yet to come balance of this year, and more importantly into next year, really from the connected strategies that Brian talked about on the call.

So, one of the things that we as a management team are very excited about is that we're getting this level of gross profit performance and it is not just coming from the connected solutions mix. It's coming really from all parts of our business. As a matter of fact, in this quarter with the exception of computing, every single material part of our business had a rate increase in the quarter. We think that's a good sign system systemically within the business.

MICHAEL LASSER: That's really helpful detail.

Thank you so much. Good luck.

JIM MUEHLBAUER: Thanks, Michael.

BILL SEYMOUR: Next question, please.

OPERATOR: Our next question comes from the line of Alan Rifkin with Bank of America. Please go ahead.

ALAN RIFKIN, ANALYST, BOFA MERRILL LYNCH: Thank you very much.

My question also surrounds the mobile business. So Brian, with the success of mobile being so clear, it certainly sounds like a continued roll-out of the Best Buy Mobile stores is forthcoming. What effects, if any, are you seeing as you add Best Buy Mobile stores to the mobile business within the Best Buy store? And are you seeing your market share in markets where you have both a Best Buy Mobile store as well as, obviously, the mobile department in a Best Buy store be significantly greater than in markets that you don't?

BRIAN DUNN: Actually, Alan, it's a great question and the answer -- the short answer is yes, we are seeing our share greater there. We are seeing a very low percent of cannibalization, where we have a Best Buy free-standing store, a mall-based store, a Best Buy Mobile store and the cannibalization to an adjacent, adjacent being sort of inside three miles, big box store within a store Best Buy Mobile, we are seeing a very low level of cannibalization.

So net-net our share is growing in those markets, and we are accessing a new customer, and it is a mall-based customer, and typically it is a female customer. And these are all enormously positive indicators for us in this strategy, and as we've talked in the prepared remarks, we'll be opening north of 50 more of these stores over the balance of this year, and we see that roll-out, aggressive roll-out, continuing in the next year, and beyond.

ALAN RIFKIN: Okay.

May I ask a follow-up, or should I limit myself to one question in.

BRIAN DUNN: Alan, everybody else has. So, go ahead.

ALAN RIFKIN: I want you guys to like me. I want to follow the rules.

JIM MUEHLBAUER: Thank you for asking that, Alan.

BRIAN DUNN: Appreciate that.

ALAN RIFKIN: Okay. So, I am permitted.

BRIAN DUNN: Go ahead.

ALAN RIFKIN: It will still be less than Colin. I'll just ask a second one.

Obviously the gross margin gains are very admirable and we applaud the move to buy back a significant amount of stock in the second quarter but, nevertheless, the revenue guidance is lower than what you originally articulated, and now you're looking for comps in the second half to be 1% to 3% in the wake of significantly more difficult compares. Jim, could you maybe just elaborate a little bit more on why you think the revenue line specifically is going to accelerate to a pretty significant extent in the back half of the year and in particular the holiday season?

JIM MUEHLBAUER: Yes, thanks, Alan.

As we look at the back half of the year, our comments, when we started the year, talked about we're understanding what a new normal looks like in this environment for customers. And I think Brian coined it early on, when he talked about we expect episodic drive time behavior for customers, and in between those episodes they would be rotating their spend to other categories, really being mindful of where their share of wallet goes, based on the needs of themselves and their families. We know during the holiday season that customers over-index their wallet share into CE products. We have no reason to believe that this holiday season is going to be any different. As a matter of fact what we have seen during several key drive times, and especially when we have new hot products, we have customer demand for those hot products.

So as we get into the back half of the year and we look at combination of things, we look at the lineup of products across our key categories and we've got, as Brian ticked through a bunch of them, we've got great news across those items. Many of those items are price points that are going to make them outstanding gift choices for consumers to spend, and we also know that given Best Buy's performance during the holiday season, we over-index in CE overall. As a matter of fact, we over-index in gifting retailing overall in that period. So our optimism is balanced, based on we know the consumer's under pressure still, our model will generate more customer traffic during the holiday season. Based on our conversations with vendors and how they're going to support products in the back half of the year, we think all the excitement's coming in the back half of the year from an industry standpoint as well.

So we put the two of those together. We're giving you our best thinking at this point in time. I would also -- I think it's instructive tha, as we find out what that new normal looks like, looking at the revenue performance in last holiday season, I think surprised everybody. Surprised us internally that it was strong as it was in -- especially in the November and December time frame, and we got caught a little short on inventories overall.

BRIAN DUNN: Alan, I would add just one thing to Jim's very detailed answer.

And that is, and it may sound simple to those not experienced in the retail world. Our people during peak drive times, peak performance times, peak volume times, do a great job. Our machine is well, well suited to that holiday crush, and I believe already we will be, this holiday season, 18 months into our new operating model, or 17 months in our new operating model, and that typically is prime time for us. And I'm very enthusiastic about that, in conjunction with all the factors Jim just mentioned.

ALAN RIFKIN: Okay. Thank you both very much.

BRIAN DUNN: Thank you, Alan.

JIM MUEHLBAUER: Thanks, Alan.

BILL SEYMOUR: Next question, please.

OPERATOR: Thank you.

Our next question comes from the line of Brian Nagel with Oppenheimer. Please go ahead.

BRIAN NAGEL, ANALYST, OPPENHEIMER & CO.: Hello, good morning.

BRIAN DUNN: Good morning, Brian.

BRIAN NAGEL: I have a question.

My question's on gross margins as well. And I guess just taking a step back, we've had now a couple quarters with better than expected gross margins which has helped to offset somewhat weaker trends in the top line. Should we look at the driver -- now, you spent a lot of the call talking about some of the early successes with

your connectivity initiative. As we look at these drivers of gross margins, and the upside we've seen in gross margin to your expectations, is it more a function of improving margins within each one of these individual categories, or a shifting sales mix within the stores? Weakness in some the traditionally lower margin categories, weakening further, and then strength in some of the more higher margin categories.

JIM MUEHLBAUER: It's actually -- it's a combination of both.

So the margin strength in Best Buy Mobile is clearly a continued trend we saw last year. That we'll continue to do this year. That is a connectivity business, so that is a mix of business shifting more towards higher margin connectivity products.

We have also seen rate increases across each of our major categories. It's less about selling less of lower margin categories, like computing. Computing continues to grow. Its impact in the mix, while not as dramatic as it was in the back half of last year, from a year-over-year standpoint, is still big in the portfolio. So the mix impact of selling lower margin merchandise isn't the key driver. Our focus in the first half around improving our margin rate has been really driven by rate, not mix overall.

BRIAN NAGEL: Than, a follow-up. I'm going to follow the trend of everyone else.

Just quickly, I like Brian's term, the episodic sales trend. As you look at the TV category, a weaker spot in sales for you in the quarter. But you did call out some of the strength you're seeing in Magnolia. So I guess the question I have, as we went through the quarter, and we got closer to the traditionally stronger football season, and even maybe subsequent to the quarter's end, did you see an improving trend there in the TV category, particularly with some of the new technologies now in the stores?

MIKE VITELLI: Generally, not. Generally, the overall TV industry has been relatively flat. I think that's partially, as I said earlier, I think it's partially because the industry hasn't been very promotional in the first half.

As Jim mentioned, we believe, in fact, we know that it's going to get more exciting promotionally in home theater in the second half. I think there's been a lot of pent-up demand, both from a consumer point of view and from a manufacturer and retailer point of view, to get some exciting promotions going and I think we're going to see more of that in the second half.

BRIAN NAGEL: Thank you.

BRIAN DUNN: Great. Thank you.

BILL SEYMOUR: This will be the last question.

OPERATOR: Thank you.

Our last question is from the line of Peter Keith with JMP Securities. Please go ahead.

PETER KEITH, ANALYST, JMP SECURITIES: Thanks. Good morning, everyone.

BRIAN DUNN: Good morning.

PETER KEITH: I was wondering if you could comment a little bit more on the market share decline of 50 basis points during the quarter, which is highly unusual for you guys. I guess I was hoping you could provide more color on how that trend will be reversed in the back half, particularly as we think about strong sales of iPad continuing and perhaps cannibalizing the overall PC category.

BRIAN DUNN: We're happy -- I think what I'll do is I'll give you sort of a framing remark or two, and then I'll ask Mike to weigh in on our thoughts on that.

One, I think as we look at home theater share, it's important to note that a year ago during the digital conversion, that stimulated an awful lot of customer question, customer confusion. That played very, very well to our benefit. And we were up against that in this quarter and I think that absolutely was part of what we saw in a bit of our flattish share there. I think some of the constrained availability of iPad early on in the quarter definitely impacted our share, and we see that trend flipping around in the back half of the year. We see, as I mentioned in my remarks, we see 3D gaming driving a bit more interest in 3D television. We see IPTV becoming more interesting in the second half of the year to the consumers. And I think the long and short of it is, I do believe the customer is not only episodic, I think the customer is turning his or her wallet to sort of a just in time need basis. And I think as we get into the back half of the year, over the last few years we've seen this

trend accelerate, that the consumer is moving to CE and connected solutions, which is our sort of right in our sweet spot.

PETER KEITH: Okay. Thank you. If I could ask one more follow-up, just as you guys have mentioned episodic traffic, could you comment on just how back-to-school trended for you? Is that -- did you see sales pick up toward the end of the quarter, as a result of shoppers perhaps waiting to that season?

JIM MUEHLBAUER: You know, in our portfolio, back-to-school, while we do a good business, it's not as big as what you would see as in the apparel industry or the other discounters overall. We did not see sales pick up towards the end of back-to-school. But I would tell you looking at our numbers in history, given the nature of a lot of the purchases that people are making from a PC space, customers like to get some of that locked and loaded before kids get to school. It's not a follow-on purchase after they've been in for a period of time.

MIKE VITELLI: This is Mike Vitelli again.

One thing I want to add with episodic and that we've noticed, is that it's become in the CE industry overall, more around product introductions recently than it has been about holiday events. So because of the fact that there weren't many of those in the first half of significance, the launch of iPad was significant, and then the launch of Android was significant, and we saw episodic events around that. In the second half, multiple categories have those plans, whether it's motion gaming releases is where we're putting a significant amount of space in the center of the store, and we're reducing music and movies to be ready for that episode. The E-reader episode is going to expand in the second half. You're going to see that in additional tablets that are going to start to enter the marketplace, both in the Best Buy Mobile department and in computing.

So the episodic events are going to be very product-specific and are going to be very exciting as we move into the second half.

BRIAN DUNN: And to answer the question specifically, this is Brian, about back-to-school, we did not see a huge spike with the back-to-school business and I would add, nor did we last year.

So, thanks for the question.

PETER KEITH: Okay.

Thanks for the color. Good luck in the second half.

BRIAN DUNN: Thank you very much, and thanks to everybody.

BILL SEYMOUR: Thank you, Brandy, and thanks to our audience for participating in our second quarter earnings conference call.

As a reminder, a replay will be available in the United States by dialing 800-406-7325, or 303-590-3030 internationally. The personal id number is 435-7895. The replay will be available from 11.30 AM Central Time today through Tuesday, September 21. You can also hear the replay on our website, under For Our Investors.

Thank you for your attention. That concludes our call.

OPERATOR: Thank you.

Ladies and gentlemen, this concludes the Best Buy conference call. You may now disconnect.

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